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Corporate Social Disclosure in Bangladesh: A Study of the Financial Sector

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Corporate social disclosure is essential to generate a favorable investment climate and to attract foreign investment, especially in developing countries. This paper investigates corporate social reporting in the financial sector in Bangladesh. In this study, we conducted content analysis of corporate social reporting by listed finance companies in Bangladesh. Analysis of annual reports published in 2007-2008 revealed that 41% of listed finance sector companies made some kind of CSR disclosure. However, three quarters of all disclosures are generalized qualitative statements without any attempt at quantification. More than half the disclosures are located in the director's report, and the average length of disclosures amounted to less than half a page. The implications of these findings are discussed.

Field of Research: Corporate Social Responsibility (CSR), Finance, Management

1. Introduction

In recent years, there has been an increasing trend in corporate social responsibility (CSR) reporting among organizations. An international survey of corporate social reporting conducted by KPMG in 2008 found that 70 percent of the world's 250 largest companies issued separate reports on corporate social responsibility (CSR) compared to 52 percent in 2005. At the national level, the two top countries in terms of separate CSR reporting are Japan (88% in 2008; 80% in 2005) and the United Kingdom (84% in 2008; 71% in 2005). The recent escalation in CSR disclosures by corporations worldwide signals the significance of CSR for sustainable development (KPMG, 2008). However, in South East Asian countries such as India, Pakistan, Bangladesh and China, only a small number of companies engage in corporate environmental and social disclosure.

This exploratory study investigates the extent of corporate social reporting by finance companies listed on the stock exchange in Bangladesh. This research will provide new information on corporate social responsibility (CSR) in banking, insurance, investment and leasing companies. Before making investment decisions, many investors are concerned with social and environmental disclosures by finance companies. By disclosing information on social and environmental issues, finance companies can improve their image and obtain competitive advantage.

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Corporate social responsibility is not the only ethical dilemma that financial institutions face in an atmosphere of corrupt corporate practice. These institutions are also concerned with commitment for sustainable development. A well-functioning finance sector in any country can contribute directly to a healthy economy. This sector plays an important role in a country's economic development. Ethics and transparency are important themes in the finance sector. Currently in Bangladesh, CSR is a matter of self interest for the corporate sector (Azim, Ahmed & Islam, 2009). There is a need for an in-depth study into the quality, quantity of corporate social disclosure and identification of areas of future improvement.

Practicing social responsibility costs money. Likewise, failing to report on social responsibility also has costs - in terms of fines, increased regulation, negative publicity, public disfavor, or loss of customers (Deegan & Gordon, 1996). In the absence of legislative requirements, voluntary disclosure demonstrates a commitment to society (Mathews, 1993). Although not all benefits can be quantified in monetary terms (Evans, 2003), companies that report on social responsibility and account for social and environment impacts may gain specific benefits by attracting and retaining talented people (Adams, 2002; Simms, 2002); having better internal control and decision-making systems; producing cost-savings; and continuously improving products and services (Adams, 2002). By disclosing information on social and environmental issues, companies can minimize the risk of powerful consumer boycotts (Adams, 2002); communicate with the community and stakeholders (Anand, 2002) and enjoy competitive advantage (King, 2002).

Recently, changes are occurring in the way companies report CSR. From initially using a section in the annual report, companies are moving to stand-alone reports (KPMG, 2008). There were 8 and 13 percentage point increases in stand-alone reports in Japan and the UK respectively during the last 3 years. In the last five years, institutions such as the *Global Reporting Initiative* (GRI) have elaborated guidelines for preparing social or sustainability reports. Many companies use this guideline as a framework to build their social reports (Raman, 2006).

The concept of CSR is still very new in Bangladesh. In recent years there is considerable pressure from various agencies for companies to act responsibly and be accountable for the impacts they have on social, political and ecological environments. Companies are also expected to participate in solving social problems, such as poverty and infrastructure (Kok, Wiele, McKenna & Brown, 2001). Unfortunately, there is limited research that examines corporate social disclosure in the finance sector in Bangladesh or how to improve it. Previous studies mainly focused on the overall disclosure by listed companies. However, those studies failed to come to a unified conclusion that is applicable to all listed companies. For instance, Imam (2000) used a sample of only 40 listed companies (out of 207 listed companies for 1996–1997); this represents 19.30% of companies. Hossain, Islam and Andrew (2006) used a sample of 150 companies for 2002-2003; and Belal (2000) sampled 30 companies (from both private and public sector). Conclusions reached in these studies may not be representative of the listed companies of the Dhaka Stock Exchange (DSE). Khan, Halabi and Samy (2009) collected annual reports of 20 selected banking companies, which are listed on the Dhaka Stock Exchange (DSE) and also used a questionnaire to investigate the level of users' understanding and their perceptions of CSR reporting. Their study revealed that the selected banking companies did some (albeit little) CSR reporting on a voluntary basis and the user groups favored CSR reporting, and would like to see more disclosure. However, their study used selected banks only. The current study focuses on the corporate social reporting used by all companies listed as being part of the finance sector on the DSE. Furthermore, it analyzes the type and extent of such reporting in annual reports and suggests avenues for future improvement.

The remainder of this paper is organized as follows. Section 2 discusses the literature on corporate social responsibility. Section 3 documents the regulatory environment and disclosure rules in Bangladesh. Section 4 outlines the data and research design. The results are presented in Section 5 and the final section highlights the implications of results obtained.

2. Literature Review

Corporate Social Responsibility (CSR), which is also known as corporate citizenship or sustainable responsible business (SRB), is a form of corporate self regulation integrated into the business culture. CSR is defined as:

> "CSR is a concept whereby financial institutions not only consider their profitability and growth, but also the interests of society and the environment by taking responsibility for the impact of their activities on stakeholders, employees, shareholders, customers, suppliers, and civil society represented by NGOs. Banks must take on new responsibilities that go beyond a simple policy of "paternalism" vis-a-vis their suppliers, customers and employees, such as that practiced up until recent times" (Noyer , 2008).

There are many theoretical reasons (such as political economy, legitimacy and stakeholder theories) why companies should engage in social responsibility reporting. Some companies do not engage in corporate social disclosure because they: (i) do not have the information, (ii) do not want to disclose this information since it signals bad performance, and (iii) it is an expensive process. This study focuses on two important theories that explain the extent of corporate social disclosure: legitimacy theory and stakeholder theory. Previous studies have used either legitimacy theory or stakeholder theory to develop themes of disclosure measurement and to analyze the extent to which companies disclose their corporate social responsibility. Legitimacy is defined as:

> "a generalized perception or assumption that the actions of an entity are desirable, proper, or appropriate within some socially constructed system of norms, values, beliefs, and definition" (Suchman, 1995, p. 573).

Legitimacy theory has been used by several researchers as their framework to examine corporate social disclosure practices. Deegan (2002) suggests that organizations need to take community expectations into account if they want to be successful. Organizations will be penalized if they do not operate in a manner consistent with community expectations.

Stakeholders are the central focus of stakeholder theory. Stakeholders include a wide range of people and interest groups who are involved in some capacity with organizations (Price, 2004). The contemporary stakeholder literature can be traced back to the seminal work of Freeman (1984). He drew attention to the role of external stakeholders which were defined as "any group who can affect, or is affected by, the accomplishment of organizational purpose" (p. 25). This theory has been used to support the reasoning of such disclosures. From an analytical perspective, a stakeholder approach can assist managers by promoting an analysis of how the company fits into its larger environment or social context, how its standard operating procedures affect stakeholders in the company (employees, managers, stockholders) and immediately beyond the company (customers, suppliers, financiers). These themes are illustrated in Figure 1.

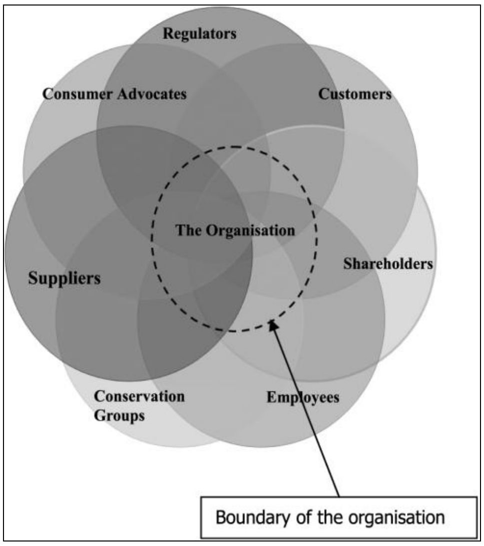


Figure 1: Stakeholders of an organization.
(Source: Foster & Jonker, 2007)

Freeman suggests that each firm should have a "generic stakeholder map" with specific stakeholders. General categories such as owners, the finance community, activist groups, suppliers, governments, political groups, customers, unions, employees, trade associations, and competitors would augment more specific stakeholders. In turn, the rational manager would not make major corporate disclosure decisions for his or her organization without considering the impact on each of these specific stakeholders. As the organization changes over time, and as decisions change, the specific stakeholder map will vary. Stakeholder theory has become important for companies that want to secure their relationship with stakeholders through corporate social disclosure. This view is supported by Carroll (1999) who explains that corporate social disclosure relates to the wider society, which is represented by stakeholders. Wilson (2001) argues the importance of stakeholder theory as a concept whereby companies are able to integrate social and environmental information in their business operations and in their interaction with stakeholders.

Mathews (1993) classifies the above arguments into three categories: (i) social disclosures having a positive impact on how an organization performs, (ii) disclosure may legitimize the organization's behavior by influencing other stakeholders, and (iii) voluntary disclosure signifies the recognition of that organization’s accountability to society.

Corporate social responsibility has attracted considerable academic research (Deegan, 2002; Gray, 2002; Mathews, 1993) over the last decade. Research on voluntary disclosure has attempted to examine the nature and patterns of CSR and investigate the determinants of CSR such as size, profits, and industry affiliation (Cormier & Magnan, 2003). The literature recognizes that CSR practices differ from country to country (Adams, Hill & Roberts, 1998b) and between developed and developing countries (Imam, 2000). Furthermore the nature and patterns of CSR vary between types of industry (Gray, Javad, Power & Sinclair, 2001). Surveys of CSR practices in western countries reveal that companies place the greatest emphasis on disclosing human resource information such as employee numbers and remuneration, equal opportunities, employee share ownership, disability policies, and employee training (Gray et al., 2001). Little disclosure exists in sensitive areas such as trade union activities, pay awards, redundancy schemes, and costs (Adams et al., 1998a, 1998b). Moreover, the vast majority of disclosures are qualitative in nature.

In a comparative study on 150 companies in the US, UK and Australia, Guthrie and Parker (1990) found that 85% of US, 98% of UK, and 56% of Australian companies made some social disclosures in their annual reports. This study indicated that more than 40% of these companies reported human resource issues, 31% reported community involvement, 13% reported environmental activities, and 7% reported energy and product related issues. It also revealed the average number of pages that organizations in these countries allotted in their reports for social disclosures. Companies in the US used 1.26 pages while 0.89 and 0.70 pages were used in the UK and Australia respectively.

Due to geographical, economic, environmental, political, regulatory, social and cultural differences it would not be appropriate to generalize the results of studies of developed nations to developing countries. This is because the stage of economic development is likely to be an important factor affecting CSR practices. In the context of emerging economies, a few studies have focused on companies in countries such as Malaysia, Thailand and China (specifically, Hong Kong). A study of 100 public companies in Malaysia showed that 66% of companies performed some kind of social reporting (Kin, 1990). Of these, 64 companies reported human resource issues and 22 companies disclosed community involvement issues.

Ratanajongkol, Davey and Low (2006) examined corporate social reporting in Thailand. They analyzed the extent and nature of corporate social reporting by 40 Thai companies over a three year period. Overall, they found that the level of corporate social reporting is increasing, with Thai companies reporting more on human resources. A similar study in Hong Kong revealed that 6% of companies disclosed social activities with an emphasis on staff development and community relations (Lynn, 1992). The number of pages dedicated to such disclosures ranged from 0.25 to 3 pages. Ng (2000) found that 9% of the 200 Hong Kong listed companies reported environmental information in published accounts. However, no company disclosed financial data concerning environmental performance. Disclosures appeared in the director’s report or chairperson’s statement. Such disclosures were general statements indicating company support for environmental protection and describing projects to reduce pollution and save energy and resources.

As expectations for disclosure of information on environmental and social performance have grown, so have demands that companies provide information in a standardized way that allow readers to compare company performance. A number of broadly recognized standards are particularly relevant to CSR, including the *GRI Sustainability Reporting Guidelines*, *Accountability Assurance Standard 1000 & 1000S*, and the *ISO 14001 Series*. The *GRI Guidelines* focus on issues that should be reported (Maitland, 2002a, b). GRI develops these reporting guidelines using a global consensus-seeking process that involves reporting organizations such as companies, as well as report readers and users like employees, investors, and non-governmental organizations. GRI issued its first set of guidelines in 2000, the second in 2002 (known as the G2 guideline) and the third in late 2006 (G3 Guideline) (KPMG, 2008). AAS 1000 and 1000S focus on the processes of reporting and auditing. A focus on processes, and, in particular, the involvement of stakeholders through a robust process of dialogue, is likely to result in a company properly discharging accountability rather than simply complying with a list of disclosure items (Adams, 2004).

Corporate Social Responsibility in Bangladesh

Although a relatively new concept in Bangladeshi corporate culture, awareness of corporate social reporting has rapidly increased. All companies need to consider their CSR for two basic reasons. Firstly, there is intensifying pressure from stakeholders to do so (Belal, 2001). Any company that does not develop and promote its CSR policy to all stakeholders will face increasing threats to its reputation. Secondly, because it makes sound business sense, CSR enhances the reputation of an organization, brings in new business and improves stakeholder return (Kabir, 2003). The government of Bangladesh has not imposed or proposed requirements for disclosure of social and environmental performance. The Bangladesh Companies Act 1994 sets the general framework for corporate financial reporting. However, no provisions regarding CSR exist in the Companies Act 1994 (GoB, 1994). Until recently, neither is there a separate Bangladesh Accounting Standard (BAS) regarding social and environmental reporting (IASCF, 2003). However, since the adoption of International Financial Reporting Standards (IFRS) in Bangladesh on 5 July 2006[i], Presentation of Financial Statements (BAS 1) encourages companies listed on the Stock Exchange of Bangladesh to publish additional statements on their non-financial activities; if management believes they will assist users in making economic decisions. Therefore, in Bangladesh, CSR is still voluntary with the exception of disclosure of expenditures on energy usage required under the Companies Act of 1994 and the Securities and Exchange Rules of 1987, which require the total amount spent on energy to be shown as a separate expenditure in the notes to the financial statements (Belal, 2001).

Since corporate social reporting disclosure is voluntary in Bangladesh, it is not surprising that in previous research only a few companies did disclose their CSR. Using annual reports of 40 companies listed on the DSE, Imam (2000) found that in 1996–97 annual reports:

> ….. a total of 25 per cent of the sample companies made community and 22.5 per cent environmental disclosure. Only 10 percent of companies provided consumer related disclosure (Imam, 2000, p. 136).

Though some progressive companies disclosed some information on community, environmental and consumer related activities, that information was not at all adequate in discharging social responsibilities. Imam conclude that

> ….. the sample listed companies tend to represent a relatively minor quantity of disclosure when compared with corporate financial disclosures. The disclosures mostly comprise narrative qualitative information (Imam, 2000, p. 140).

Belal's (2001) study represents 30 annual reports collected on an ad hoc basis directly by contacting the company source or collected from the Dhaka Stock Exchange. In his study, listed companies dominate the survey (28 out of 30) representing 15 percent of the total listed companies in Bangladesh (196 at June, 1997). Belal (2001) concluded that

> …although a number of companies are making social disclosures, the quality of information disclosed is very low. The nature of disclosure is mainly descriptive (Belal, 2001, p.286).

These conclusions echo the findings of the research by Imam (2000). In the absence of independent verification, the credibility of information disclosed is questionable. Hossain et al. (2006) also used the annual reports of 107 non-finance companies, for the financial year 2002-2003, showing that:

> an average 8.33% of Bangladeshi companies disclose social and environmental information in their corporate annual report (Hossain et al., 2006, p. 10).

Hossain et al. (2006) concluded that these disclosures were voluntary in nature and largely qualitative. They also mentioned that the findings between developed and some developing countries are compared, the disclosure of social and environmental information made by the listed companies in their corporate annual reports in Bangladesh is "very disappointing" (Hossain et al., 2006).

3. A Brief Overview of the Financial Sector in Bangladesh

Corporate disclosure is an important aspect of the financial sector and plays an important role in a country's development. The financial sector in Bangladesh comprises the: (i) money and capital markets, (ii) insurance and pensions schemes, and (iii) microfinance. In addition to the Central Bank of Bangladesh there are 4 state-owned banks (SCBs), 5 state-owned specialized banks, 30 domestic private commercial banks, 9 foreign commercial banks, and 29 non-bank financial institutions (NBFIs) as of 2008. Figure 2 illustrates the nature of the financial sector in Bangladesh.

Money Market[ii]

The financial system in Bangladesh includes Bangladesh Bank (the Central Bank), scheduled banks, non-bank financial institutions, microfinance institutions (MFIs), insurance companies, co-operative banks, credit rating agencies and the stock exchange. In addition to the institutions cited above, there are three development financial institutions operating in Bangladesh, namely House Building Finance Corporation (HBFC), Ansar-VDP Unnayan Bank and Karma Shangsthan. These institutions are all state owned.

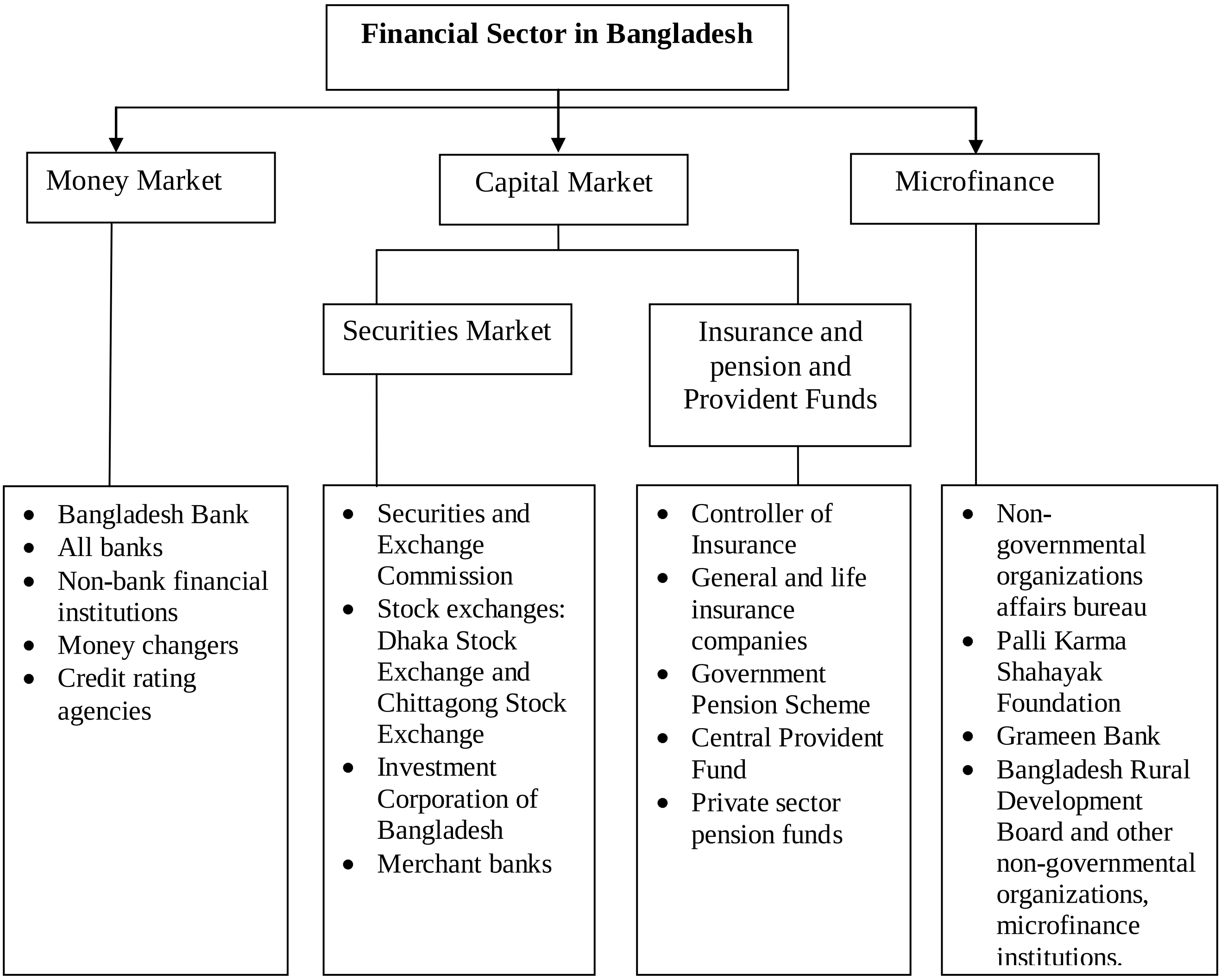
Capital Market[iii]

The capital market in Bangladesh is regulated and supervised by the Securities and Exchange Commission (SEC) under the SEC Act, 1993. The SEC so far has issued licenses to 27 non-bank institutions to participate in the capital market of which 19 institutions are Merchant Bankers and Portfolio Managers while 7 are Issue Managers and one institution acts as Issue Manager and Underwriter. The Dhaka Stock Exchange (DSE) was established as a public limited company in April 1954, while the Chittagong Stock Exchange (CSE) was established in April 1995, to deal with the secondary capital market. At the end of 2008 the total number of enlisted securities with DSE stood at 328, of which 273 are listed companies, 13 mutual funds, 8 debentures and 34 treasury bonds. The Investment Corporation of Bangladesh (ICB) was established in 1976 and monitors the capital market. Its objective is to encourage and broaden the base of industrial investment. ICB underwrites issues of securities, provides substantial bridge financing programs, and maintains investment accounts, floats and manages closed-end and open-end mutual funds and closed-end unit funds. It does this to ensure the supply of securities as well as generate demand for securities. ICB also operates in both DSE and CSE as a dealer. Other than the capital market, some scheduled banks, such as Bangladesh Shilpa bank (BSB), Bangladesh Shilpa Rin Sangstha (BSRS), Bangladesh Small Industries and Commerce (BASIC) Bank Ltd, National Commercial Bank and some foreign banks are engaged in long-term industrial financing.

Insurance[iv]

The insurance sector is regulated by the Insurance Act, 1938 with regulatory oversight provided by the Controller of Insurance with authority granted by the Ministry of Commerce. A total of 68 insurance companies operate in Bangladesh, of which 21 provide life insurance and 47 are in the general insurance field. Among these life insurance companies, except for the state-owned Jiban Bima Corporation (GBC), a foreign owned American Life Insurance Company, the rest are privately owned. Regarding the general insurance companies, state-owned Shadharan Bima Corporation (SBC) is the most active in the insurance sector. A total of 44 insurance companies are listed in the capital market.

Figure 2: Financial Sector in Bangladesh
(Source: Policy Analysis Unit, Bangladesh Bank)



Microfinance Institutions [v]

Microfinance Institutions (MFI) in Bangladesh have been unregulated since their inception. The government, with the close cooperation of Bangladesh Bank, established a regulatory framework which culminated in the enactment of the Microcredit Regulatory Authority Act, 2006. An Executive Board consisting of eight members is responsible for executing the management's general and administrative tasks. The Board consists of the Governor of Bangladesh Bank as ex-officio chairperson, six government officials nominated by the government and one executive vice-president, who serves as the board's member secretary. The authority's main responsibilities include issuance and cancellation of licenses for microcredit, and overseeing, supervising and facilitating all MFI activities. In recognition of the robust poverty eradication program through microfinance activities, the Grameen Bank and its founder, Dr. Muhammad Yunus, were awarded the 2006 Nobel Peace Prize. It has now been globally recognized that microfinance can be easily implemented and has been replicated in many regions of the world. The member-owned Microfinance Institutions (MFIs) have an explicit social agenda to help poorer sections of the population, and particularly focus on rural women as clients. Grameen Bank was established in 1983 under a special law with the initial support from the Bangladesh Bank. The typically landless borrowers of Grameen Bank are mostly women, who are owners of the bank. Besides Grameen Bank, there are more than 1000 semi-formal institutions operating mostly in the rural sector of the country. Of these, BRAC, ASA, and PROSHIKA are considered the three largest NGO-MFIs.

4. Methodology and Data Collection

In order to understand CSR disclosure by finance sector companies, annual reports are considered appropriate documents for analysis. Annual reports are a common and popular means of communication to stakeholders and they command credibility (Guthrie & Parker, 1990; Singh & Ahuja, 1983; Adams, 2004; Gray et al., 1995a, 1995b; Raman, 2006). To analyze the extent of social responsibility reporting by Bangladesh companies, annual reports constituted the main primary source. Guthrie and Parker (1990), Gray, Owen and Adams (1996), Deegan and Rankin (1997) and other scholars studied corporate social disclosure practices using annual reports as the key source of information. Separate corporate social disclosure reports by publicly listed limited companies in the finance sector published between 1 July 2007 and 30 June 2008 were also reviewed. Taking 2007-2008 as the target year, 47 finance companies were listed on the Dhaka Stock Exchange (see Appendix 1 for the full list). This industry grouping is done by the Securities and Exchange Commission in Bangladesh and it includes 30 banks, 11 finance and investment companies and 6 leasing companies. Three companies (Fidelity Assets & Securities Company Ltd, First Security Islamic Bank Limited and ICB Islamic Bank Limited) are excluded because these companies are listed in 2007-2008 and there is no annual report published in this study period. We were able to collect information of another 44 finance companies (highlighted in bold in Appendix 1).

The results of our analysis indicate that 18 companies or 41% made disclosures relating to corporate social performance. The disclosures of these 18 reporting companies were systematically analyzed using content analysis. Content analysis may be defined as the systematic and objective analysis of message characteristics (Neuendorf, 2002). Content analysis is a technique for making inferences by objectively and systematically identifying specified characteristics of messages (Holsti, 1969). In other words, content analysis is 'a method of classifying the text (or content) of a piece of written work into various categories on the basis of selection criteria' (Krippendorf, 1980, p. 21). This technique has been used in other studies (Guthrie & Parker, 1990; Raman, 2006) and is considered an appropriate technique for analysis of qualitative data.

We analyzed our data using the content analysis framework proposed by Raman (2006). According to this author, content analysis employs a three-step process. First, an appropriate document is chosen. For this study, director's reports, chairperson's reports, separate sections of annual reports and separate sustainability reports were selected. Directors are responsible for preparing financial reports and according to the Company Act 1994 directors should forward the 'statutory report' to shareholders (members) at least 21 days before the day of the annual general meeting (AGM). Again, the reports should be signed by the chairperson or other authorized person(s) as mentioned in Company Act 1994, section 189 (1 & 2) (GoB, 1994).

The second step is to determine the unit for measuring the content. Different researchers use different units of measure. For example, Zeghal and Ahmed (1990) used the number of words, Hackston and Milne (1996) the number of sentences, and Gray et al. (1995b) the number of pages. Indeed there has been considerable debate about these different measures (Gray et al., 1995a; Milne & Adler, 1999; Unerman, 2000). For example, regarding pages, some researchers do not consider font size, line spacing, and page margins. Others argue that words would have no meaning, unless they are part of a sentence (see Raman, 2006). Raman (2006) argues that pages are preferred since they can be easily counted and involve less judgment. In this study, the unit of measure is the number of pages. Since different companies use different measurements, line spacing, and page margins, to be consistent with the measurement, we typed them in a Word file and measured the portion of pages used by each disclosure. Previous CSR studies (Imam, 2000; Belal, 2000, 2001; Hossain et al., 2006) did not take this fact into consideration.

The third phase in content analysis involves identifying themes or categories into which blocks of content can be classified. We used earlier work by Ernst and Ernst (1978), Guthrie and Parker (1990), and Gray et al. (1995a) to organize information into four categories: *Theme*, *Form*, *Amount* and *Location*. *Theme* was based on variables such as environment, energy, human resources, products, community involvement, and miscellaneous. The *form* of disclosure includes quantified data, either monetary or non-monetary, and qualitative or declarative data. *Amount* measures the proportion of pages devoted to social responsibility issues. *Location* refers to directors' and/or chairpersons' reports, separate sections of annual reports and separate or stand alone reports.

5. Results and Findings

The findings from annual reports are shown in Table 1 below.

Table 1: CSR by the Listed Companies in 2007 -2008

Sector	**Number of sample companies listed on the DSE**	**Companies making CSR disclosures**	
	Number of companies	Number of companies	%
Finance companies	44	18	40.90

For the purpose of this study, a corporate social responsibility worksheet was constructed with the following headings: Environment, Energy, Fair Business Practices, Human Resources, Community Involvement, Products and Miscellaneous. Currently, none of the listed companies implemented GRI G3 disclosures in their annual report (only a few non-listed companies, for example Standard Chartered Bank, started doing this). It is difficult therefore to prepare a corporate social responsibility worksheet according to a standard breakdown such as GRI performance indicators or Global Compact principles. The lack of a widely accepted definition of 'social responsibility', or agreement of what constitutes a socially responsible corporate activity, does hamper this exercise and allows for the possibility of multiple interpretations. Probably the most well-known studies in this area are by Ernst and Ernst (1978), Guthrie and Parker (1990), and Gray et al. (1995a). The analysis by Ernst and Ernst (1978) of annual reports of *Fortune 500* companies revealed specific indicators of different categories of social involvement. Attempting to reduce the degree of subjectivity and bias, Ernst and Ernst (1978) claimed, "If anything, the amount of disclosure reported in the survey is understated because of the selective approach employed in identifying and categorizing disclosures and the possibility of human error". Table 2 indicates the themes of CSR presented in our social responsibility worksheet.

Table 2: Themes of Corporate Social Disclosures

		Number of companies disclosing
A.	**Environment**	
	1. Pollution control	0
	2. Prevention or repair of environmental	9
	damage	0
	3. Conservation of natural resources	0
	4. Other environmental disclosures	
B	**Energy**	
	5. Conservation	0
	6. Energy efficiency of products	0
	7. Other energy related disclosures	0
C	**Fair business practices**	
	8. Employment of minorities	0
	9. Advancement of minorities	1
	10. Employment of women	3
	11. Advancement of women	0
	12. Employment of other special interest groups	0
	13. Support for minorities	1
	14. Socially responsible practices abroad	0
	15. Other statements on fair business practices	5
D	**Human resources**	
	16. Employee health and safety	1
	17. Employee training	17
	18. Other human resource disclosures	7
E	**Community involvement**	
	19. Community activities	15
	20. Health related activities	14
	21. Education and the arts	16
	22. Other community activity disclosures	0
F	**Product Safety**	
	23. Safety	0
	24. Reducing pollution from product use	0
	25. Other product related disclosures	0
G	**Other social responsibility disclosures**	
	26. Other disclosures	0
	27. Additional information	0

In Table 2, the top two themes of corporate social responsibility disclosure in annual reports are (i) community involvement, and (ii) human resources. Environment and fair business practices are a distant third. Most information disclosed in annual reports relates to employees and their interests. Interestingly, a number of banks devoted considerable space to community involvement activities such as tree plantation, city beautification, scholarships, healthcare, sponsoring sports tournaments, art competitions, and concerts. Although employees feature prominently, environmental factors were included as were photographs of social activities.

Table 3: Form of Corporate Social Responsibility Disclosures

Quantification categories	No. of companies preparing CSR	Percentage
Both monetary and non-monetary quantification	5	27.78
Monetary quantification	1	5.55
Non-monetary quantification	2	11.11
Qualitative (declarative)	10	55.56
Total	18	100.00

Table 3 outlines the results of the degree of quantification. Content analysis revealed that 55.56% of disclosures are generalized qualitative statements without supporting evidence. 11.11% of companies used non-monetary quantification. Around twenty-eight percent of reports contained both monetary and non-monetary quantification, and 5.55% provided only monetary disclosures.

Table 4: Location of Corporate Social Responsibility Disclosures

Locations	No. of companies reporting	Percentage
Directors' report	11	61.12
Chairpersons' report	0	0.00
Separate section of annual report	3	16.67
Both in Directors' and Chairpersons' report	2	11.11
Both in Directors' and separate section	1	5.55
Both in Directors' and separate report	1	5.55
Total	18	100.00

The locations of disclosures are shown in Table 4. Alternative formats include a separate report (Director's report, Chairperson's report, separate section of annual report and separate or stand alone report) or a combination of different formats. As shown in Table 4, the most popular place for locating social responsibility disclosures are the Director's report (61.12%), while 16.67% used a specific section of the annual report, and no company used the Chairperson's report. Some companies use both Directors' and Chairpersons' reports (11.11%), while 5.55% used both directors' reports and separate section of the annual report. Only 5.55% used directors' and separate (stand alone) reports.

Table 5: Number of Pages Devoted to Corporate Social Responsibility Disclosures

Pages devoted	No. of companies reporting	Percentage
One sentence – one quarter of a page	11	61.12
Quarter of a page – half a page	2	11.11
Half page – three quarters of a page	2	11.11
Three quarters of a page – one page	1	5.55
More than 1 page	2	11.11
Total	18	**100.00**

Table 5 indicates that the mean amount of disclosure varied between one quarter of a page and half a page, with 61.12% of companies disclosing less than one quarter of a page, and 11.11% disclosing more than one page. To enable consistent comparisons, we typed all the social and environmental disclosure sections from the annual report into a separate Word file using an A4 format, 12pt *Times New Roman*, margins: top 2.5 cm, bottom, left and right 2 cm each. Given this standard paper size the measurement of 'pages' attributed to a particular form of disclosure can be expected to remain reasonably constant.

Companies operating in the finance sector in Bangladesh are expected to acknowledge their wider obligations to investors and other stakeholders such as employees, the government, consumers and the wider community. Owing to the presence of a unionized labor force and the Government Labor Policy's emphasis on a well trained workforce, employee disclosures can occur to a greater extent in Bangladesh than in other developing countries. Moreover, several lobby groups have emerged recently and they can put pressure on industries for more social disclosure to benefit consumers (Belal, 2001). Again, the government of Bangladesh appears to be more committed to protecting the environment which is evident in the creation of the Environment Protection Act, 1995. With a re-activated capital market, rising foreign investment, increase in public awareness and the government's emphasis on social welfare, the financial sector will be expected to provide more and more social disclosure (Belal, 2001).

6. Conclusion

Financial institutions are now considered to be an integral part of the Bangladeshi economy. They act as a medium for the transfer of resources from net savers to net borrowers. The financial sector provides a major source of long-term funds for the economy. The need for financial institutions to conduct sustainable development in Bangladesh is urgent and banks, in particular, can help by playing a meaningful and practical role.

Furthermore, we found that more than half the total number of finance companies provided social disclosure. However, most corporate social disclosures are qualitative in nature. These conclusions are similar to Imam (2000) and Belal (2001) who found that quantification of CSR disclosure is limited among listed companies in Bangladesh. In addition, there is no independent verification of this information, so the credibility of the information is questionable. Three quarters of disclosures are generalized qualitative statements without any attempt to convert this qualitative information into quantitative terms. More than half of CSR disclosures are located in the director's report and the average length of disclosures amounts to less than half a page. Finance companies in Bangladesh emphasize the disclosure of human resources factors, i.e. employees' health and safety, employees' training needs, community activities, and health related activities. Given the presence of widespread corruption, an unstable political situation, deteriorating law enforcement and the influence wielded by the country's social elite, non-compliance with the legal requirements often encourages companies to avoid engaging in social and environmental commitments and provide minimum disclosure about these activities.

In spite of these problems, an increasing number of companies and businesses in Bangladesh are engaged in corporate social responsibility (Sobhan, 2006)**.** Internationally this trend has improved over last few years. As far as Bangladesh is concerned, social and environmental disclosure is still at a minimum level compared to other countries. However, a large number of companies are engaged in philanthropic activities, such as, social and community development, and setting up facilities that provide healthcare services (Sobhan, 2006). Additionally, more companies are playing a major part in providing relief and rehabilitation in the aftermath of natural disasters. A number of local entrepreneurs have formed their own philanthropic foundations or trusts. Corporate social responsibility can act as a strategic tool to facilitate the private sector's active involvement in activities to maximize benefits for all stakeholders. It creates new business opportunities, synergies and private-public partnerships, and connects customers, suppliers, stakeholders and communities. CSR is an emerging concept in Bangladesh and its limited familiarity is perhaps the greatest impediment to its wider adoption (Sobhan, 2006).

Further research is needed regarding the philanthropic motivation of finance companies and how philanthropic strategies can be integrated with CSR. This will add more value to corporate image and reputation, and go a long way towards enhancing the brands of financial institutions. Again, further research should be conducted on the finance sector to discover the motivation behind such voluntary disclosures of corporate social information in company reports.

Endnotes

[i] International Accounting Standard (IAS) came into effect on 1 January 2005.
[ii] The following is based on: http://www.bangladesh-bank.org/mediaroom/tenders/fsectorinbb.pdf
[iii] The following is based on: http://www.bangladesh-bank.org/mediaroom/tenders/fsectorinbb.pdf
[4] The following is based on: http://www.bangladesh-bank.org/mediaroom/tenders/fsectorinbb.pdf
[5] The following is based on: http://www.bangladesh-bank.org/mediaroom/tenders/fsectorinbb.pdf

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Appendix 1

47 Listed Finance Institutions
(listed on the Dhaka Stock Exchange) in June 2008:

AB Bank	**NCCBL**
Al-Arafah Islami Bank	**One Bank Limited**
Bank Asia Ltd.	**Phoenix Finance and Investments Ltd.**
BD Finance and Investment Co. Ltd.	**Peoples Leasing and Fin. Services Ltd.**
Bangladesh Industrial Fin. Co. Ltd.	**The Premier Bank Ltd.**
BRAC Bank Ltd.	**Premier Leasing International Ltd.**
City Bank	**Prime Bank**
Dhaka Bank	**Prime Finance & Investment Ltd.**
Dutch-Bangla Bank	**Pubali Bank**
Eastern Bank	**Rupali Bank**
Export Import (EXIM) Bank of BD	**Shahjalal Islami Bank Ltd.**
1st Lease International	**Social Investment Bank**
IDLC	**Southeast Bank**
IFIC Bank	**Standard Bank Limited**
International Leasing & Financial Serv. [Ltd.]	**Trust Bank Limited**
Industrial Prom. & Dev. Co. of BD Ltd.	**UCBL**
Islamic Bank	**United Leasing**
Islamic Finance & Investment Ltd.	**Union Capital Limited**
Jamuna Bank Ltd.	**Uttara Bank**
LankaBangla Finance Ltd.	**Uttara Finance**
Mercantile Bank Ltd.	Fidelity Assets & Securities Company Ltd*
MIDAS Financing Ltd.	First Security Islami Bank Limited*
Mutual Trust Bank Ltd.	ICB Islamic Bank Limited*
NBL	

Note: * These companies were listed on the Bangladesh Stock Exchange during the 2007-2008 financial year. Therefore they did not publish annual reports during this period.